

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2314

LISTED SEPTEMBER 11, 1968
800,000 shares without par value
Stock Symbol "KFS"
Post Section 3.6
Dial Quotation No. 1950

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

KOFFLER STORES LIMITED

Continued under the laws of the Province of Ontario by Letters Patent of Amalgamation dated June 20, 1968, of companies known as Don-York Drugs Limited, Don-Koffler Drugs Limited, G. E. M. Drugs (London) Limited, G. E. M. Drugs (Ottawa) Limited, Plaza Drug Stores Limited, Super-Deal Discount Stores Limited, Greikoff Company Limited, Murlease Company Limited, K. R. H. Drug Company Limited and Parkwoods-Koffler Drugs Limited.

CAPITALIZATION AS AT AUGUST 1, 1968

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING AS AT AUGUST	TO BE LISTED
		1st, 1968	
Shares without par value	2,000,000	800,000	800,000

August 1, 1968

1. APPLICATION

Koffler Stores Limited (herein called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 800,000 shares without par value in the capital stock of the Company, all of which have been issued and are outstanding as fully paid and non-assessable.

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached prospectus for 160,000 shares without par value in the capital stock of the Company, which by this reference is incorporated herein and made a part of this Listing Statement and will be referred to from time to time for certain additional information in connection herewith.

3. HISTORY

The Company was continued by Letters Patent of Amalgamation dated June 20, 1968 under the laws of the Province of Ontario. For information with respect to the predecessor corporations which entered into the Agreement of Amalgamation, reference is made to the heading "The Company" on page 3 of the attached prospectus. For information with respect to certain businesses acquired by the Company, reference is made to the heading "Interest of Management and Others in Material Transactions" on page 10 of the attached prospectus.

4. NATURE OF BUSINESS

For information with respect to the business of the Company, reference is made to the heading "Business of the Company" beginning on page 4 of the attached prospectus.

5. INCORPORATION AND CAPITAL CHANGES

The Company was continued under the laws of the Province of Ontario by Letters Patent of Amalgamation dated June 20, 1968 with an authorized capital of 2,000,000 shares without par value.

6.

SHARES ISSUED DURING PAST TEN YEARS

DATE OF ISSUE	Shares without par value			PURPOSE OF ISSUE
	NO. OF SHARES ISSUED	AMOUNT REALIZED PER SHARE	TOTAL AMOUNT REALIZED	
June 20, 1968	468,302			Shares issued pursuant to amalgamation (1)
June 20, 1968	22,227	\$10.00	\$222,270	As part consideration for the acquisition of the business of Jack Gwartz Drugs Ltd. (1)
June 20, 1968	22,573	\$10.00	\$225,730	As part consideration for the acquisition of the business of Eglinton Square Drugs Limited (1)
June 20, 1968	126,898	\$10.00	\$1,268,980	As part consideration for the acquisition of the business of Kochild's (1)
July 11, 1968	160,000	\$9.40	\$1,504,000	Underwriting (2)

(1) Reference is made to the heading "Interest of Management and Others in Material Transactions" on page 10 of the attached prospectus.

(2) Reference is made to the heading "Underwriting" on page 7 of the attached prospectus.

7.

STOCK PROVISIONS AND VOTING POWERS

The authorized capital of the Company consists of 2,000,000 shares without par value, of which 800,000 are issued and outstanding as fully paid and non-assessable. Each share without par value in the capital of the Company is entitled to one vote at all meetings of shareholders and all shares rank equally in respect of dividend rights and upon a winding-up or dissolution of the Company.

8.

DIVIDEND RECORDS

No dividends have been paid on the Company's shares to date. Certain of the predecessor corporations of the Company have declared dividends in prior years, and reference is made to the Combined and Consolidated Statement of Retained Earnings on page 20 of the attached prospectus for the amount of these dividends.

9.

RECORD OF PROPERTIES

Reference is made to the heading "Property of the Company" on page 7 of the attached prospectus and to the heading "Schedule of Lease and License Locations" on page 13 of the attached prospectus.

10.

SUBSIDIARY OR CONTROLLED COMPANIES

Reference is made to the heading "The Company" on page 3 and to the heading "Business of the Company" commencing on page 4 of the attached prospectus. Reference is also made to Schedule "A" annexed hereto for particulars of the authorized and issued capital and the date of incorporation of each subsidiary or controlled company. As of the date hereof, the Company owns beneficially all of the issued shares of the companies listed in Schedule "A" annexed hereto.

11.

FUNDED DEBT

Neither the Company nor any of its subsidiaries have any funded debt.

12.

OPTIONS, UNDERWRITINGS, ETC.

Reference is made to the heading "Underwriting" on page 7 of the attached prospectus.

Reference is made to the heading "Escrowed Shares" on page 10 and to the heading "Principal Holder of Securities" on page 9 of the attached prospectus.

There are no other Underwritings nor are there any outstanding options, sale agreements or other contracts or agreements of a like nature with respect to any unissued shares or any issued shares held for the benefit of the Company.

13.

LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Stock Exchange.

14. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding governmental body are as follows:

The Company has complied with the requirements of the Ontario Securities Commission, the Quebec Securities Commission, the British Columbia Securities Commission, the Saskatchewan Securities Commission and the Securities Act of Manitoba relating to the offer of 160,000 shares without par value of the Company.

15. FISCAL YEAR

The fiscal year of the Company ends on January 31st in each year.

16. ANNUAL MEETINGS

The By-Laws of the Company provide that the annual meeting of the Company shall be held at the head office of the Company or at such other place in Ontario on such date in each year as the Board of Directors may determine from time to time. No annual meeting of shareholders of the Company has as yet been held.

17. HEAD AND OTHER OFFICES

The head office and principal office of the Company is located at 37 Martin Ross Drive, Downsview, Ontario. The Company also uses as an office a portion of the premises at 3089 Dufferin Street, Toronto, Ontario.

18. TRANSFER AGENT

The Transfer Agent of the Company is Canada Permanent Trust Company, at its principal offices in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

19. TRANSFER FEE

No fee is charged on stock transfers other than the customary Government stock transfer taxes.

20. REGISTRAR

The Registrar of the Company is Canada Permanent Trust Company at its principal offices in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

21. AUDITORS

The auditors of the Company are William Eisenberg & Co., Chartered Accountants, 425 University Avenue, Toronto, Ontario.

22. OFFICERS

Reference is made to the heading "Management of the Company" on page 9 of the attached prospectus.

23. DIRECTORS

Reference is made to the heading "Management of the Company" on page 8 of the attached prospectus.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, Koffler Stores Limited hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



KOFFLER STORES LIMITED

Per:

"M. B. KOFFLER", President

"M. GLAZER", Treasurer

CERTIFICATE OF UNDERWRITER

To the best of my knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

McLEOD, YOUNG, WEIR & COMPANY LIMITED

Per:

"L. E. BARLOW".

SCHEDULE "A"

Wholly owned subsidiaries of

Koffler Stores Limited

COMPANY NAME	AUTHORIZED AND ISSUED SHARE CAPITAL
Sayval Drug Company Limited (Incorporated October 17, 1961, Canada)	4,000 preference shares with a par value of \$10 each, and 10,000 common shares without par value, provided that the aggregate consideration for the issue of the 10,000 common shares shall not exceed the sum of \$10,000. Of the said shares, 100 common shares are allotted and issued.
Plaza Drugs (Toronto) Limited (Incorporated December 28, 1951, Province of Ontario)	\$34,180 divided into 3,018 preference shares with a par value of \$10 each, and 4,000 common shares with a par value of \$1 each. Of the said shares, 2,000 common shares are allotted and issued.
Plaza Drugs (Hamilton) Limited (Incorporated October 19, 1955, Province of Ontario)	\$85,000 divided into 75,000 preference shares with a par value of \$1 each, and 10,000 common shares with a par value of \$1 each. Of the said shares, 10,000 common shares are allotted and issued.
Plaza Drugs (The Centre) Limited (Incorporated January 29, 1959, Province of Ontario)	\$84,200 divided into 742 Class A preference shares with a par value of \$100 each; 1,000 Class B preference shares with a par value of \$1 each; and 9,000 common shares with a par value of \$1 each. Of the said shares, 380 Class B preference shares and 1,000 common shares are allotted and issued.
Plaza Drugs (Dundas) Limited (Incorporated November 30, 1959, Province of Ontario)	\$100,000 divided into 880 Class A preference shares with a par value of \$100 each; 2,000 Class B preference shares with a par value of \$1 each; and 10,000 common shares with a par value of \$1 each. Of the said shares, 138 Class A preference shares, 800 Class B preference shares and 10,000 common shares are allotted and issued.
Plaza Drugs (Brampton) Limited (Incorporated October 21, 1960, Province of Ontario)	\$100,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 85,000 Class B preference shares with a par value of \$1 each; 5,000 Class C preference shares with a par value of \$1.00 each; and 5,000 common shares with a par value of \$1.00 each. Of the said shares, 24,000 Class B preference shares and 2,000 common shares are allotted and issued.
Plaza Drugs (Weston) Limited (Incorporated June 25, 1962, Province of Ontario)	\$40,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 30,000 Class B preference shares with a par value of \$1 each; 1,000 Class C preference shares with a par value of \$1.00 each; and 4,000 common shares with a par value of \$1 each. Of the said shares, 300 Class A preference shares, 19,000 Class B preference shares, and 1,000 common shares are allotted and issued.
Plaza Drugs (St. Catharines) Limited (Incorporated April 28, 1966, Province of Ontario)	\$40,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 30,000 Class B preference shares with a par value of \$1 each; 1,000 Class C preference shares with a par value of \$1 each; and 4,000 common shares with a par value of \$1 each. Of the said shares, 19,000 Class B preference shares, 50 Class C preference shares, and 950 common shares are allotted and issued.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

160,000 shares without par value

KOFFLER STORES LIMITED

TRANSFER AGENT AND REGISTRAR:

Canada Permanent Trust Company: Toronto, Montreal, Winnipeg, Calgary and Vancouver

Application has been made to list these shares on The Toronto Stock Exchange. Acceptance of the listing will be subject to the filing of required documents and evidence of satisfactory distribution within a period of 90 days.

	Price to Public	Underwriter's Discount	Proceeds to the Company ⁽¹⁾
Per Share...	\$10.00	\$0.60	\$9.40
Total.....	\$1,600,000	\$96,000	\$1,504,000

(1) Before deduction of expenses of issue, estimated at \$104,000.

We, as principals, offer these 160,000 shares without par value in the capital of Koffler Stores Limited if, as and when issued and accepted by us, subject to prior sale and to the approval of all legal matters on our behalf by Messrs. Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson, Toronto, and on behalf of the Company by Messrs. Goodman and Carr, Toronto.

PRICE: \$10.00 per share

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time. It is expected that interim share certificates, later exchangeable without cost for definitive certificates, will be available for delivery on or about July 11, 1968.

McLEOD, YOUNG, WEIR & COMPANY
LIMITED

TORONTO MONTREAL OTTAWA WINNIPEG LONDON VANCOUVER HAMILTON CALGARY
KITCHENER QUEBEC SHERBROOKE WINDSOR EDMONTON REGINA VICTORIA NEW YORK
LONDON, ENGLAND PARIS, FRANCE

CONTENTS

	PAGE
The Company.....	3
Capitalization.....	3
Business of the Company.....	4
History.....	4
Koffler Organization.....	4
Plaza Organization.....	4
Combined Operations.....	5
Scope of Business.....	5
Sites.....	5
Franchising.....	5
Employees.....	6
Industry Position.....	6
Associates and Partnerships.....	6
Property of the Company.....	7
Application of Proceeds.....	7
Underwriting.....	7
The Shares.....	7
Dividends.....	7
Policy.....	7
Management of the Company.....	8
Remuneration of Directors and Senior Officers.....	9
Principal Holders of Securities.....	9
Escrowed Shares.....	10
Interest of Management and Others in Material Transactions.....	10
Material Contracts.....	11
Legal Opinions.....	12
Auditors, Transfer Agent and Registrar.....	12
Schedule of Lease and License Locations.....	13
Auditors' Report.....	15
Financial Statements.....	16
Purchaser's Statutory Rights of Withdrawal and Rescission.....	22
Certificates.....	22

THE COMPANY

Koffler Stores Limited (the "Company") owns and operates through retail outlets, and services through franchise agreements, a chain of drug stores and drug departments located in Ontario.

The Company, whose head office and principal office are located at 37 Martin Ross Avenue, Downsview, Ontario, is a corporation continued under The Corporations Act (Ontario) by Letters Patent of Amalgamation dated June 20, 1968, confirming an Amalgamation Agreement between Don-York Drugs Limited, Don-Koffler Drugs Limited, G.E.M. Drugs (London) Limited, G.E.M. Drugs (Ottawa) Limited, Griekoff Company Limited, Murlease Company Limited, K.R.H. Drug Company Limited, Parkwoods-Koffler Drugs Limited, Plaza Drug Stores Limited and Super-Deal Discount Stores Limited. At the time of the amalgamation, the Company acquired the businesses of Kochild's, Eglinton Square Drugs Limited and Jack Gwartz Drugs Limited as more particularly referred to on pages 10 and 11 of this prospectus.

The Company has two wholly-owned subsidiaries, Plaza Drugs (Toronto) Limited and Sayval Drug Company Limited (the "Subsidiaries"). It also has a share interest in 10 companies (the "Associates") and an interest in 2 partnerships. The Company's interest therein is referred to on page 6 of this prospectus under the heading "Associates and Partnerships". Except where otherwise indicated, in describing the business and property of the Company, the word "Company" is used to include Subsidiaries, Associates and partnerships. The statistical tables and financial statements are presented on a combined basis and include both Subsidiaries, Associates and partnerships.

As part of a general plan of reorganization, the Letters Patent of Amalgamation brought together the large Koffler organization and the well-known Plaza organization as one corporate unit. The business of the Company embraces 31 pharmacies and drug departments, 6 health and beauty aid stores and departments and, under franchise agreements, 17 pharmacies and drug departments and 1 health and beauty aid store.

CAPITALIZATION

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of January 31, 1968</u>	<u>Amount Outstanding as of April 30, 1968</u>	<u>Amount Outstanding as of April 30, 1968 after giving effect to this financing</u>
DEBT:				
Secured Bank Indebtedness				
Company.....	—	\$158,344	\$410,290	—
Subsidiaries and Associates.....	—	96,910	85,242	\$ 85,242
Sundry Long Term Indebtedness				
Company.....	—	\$373,285	\$348,980	\$348,980
Subsidiaries and Associates.....	—	35,920	34,169	34,169
MINORITY INTERESTS:(1)				
In Associates				
Preference shares.....	—	\$ 93,220	\$ 93,220	\$ 93,220
Common shares and retained earnings.....	—	60,915	60,915	60,915
Interests of others in partnerships....	—	36,473	36,473	36,473
SHARE CAPITAL:(2)				
Shares without par value(3)	2,000,000 shs.	640,000 shs. (\$1,835,790)	640,000 shs. (\$1,835,790)	800,000 shs. (\$3,435,790)

(1) The minority interests as of April 30, 1968 are based upon the Combined and Consolidated Balance Sheet of the Company as at January 31, 1968.

(2) On June 20, 1968 Letters Patent of Amalgamation were issued continuing the Company and creating an authorized capital of 2,000,000 shares without par value. The authorized and issued shares shown in this table and the notes hereto give effect to the issuance of the Letters Patent of Amalgamation and also give effect to the acquisition of the businesses of Kochild's, Eglinton Square Drugs Limited and Jack Gwartz Drugs Limited, as referred to under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.

(3) The 2,000,000 authorized shares of the Company may not be issued for a consideration aggregating more than \$20,000,000.

(4) The obligations of the Company with respect to leases and licenses of real property are set forth in note 11 of the Notes to the Combined and Consolidated Balance Sheet appearing on page 19 of this prospectus.

BUSINESS OF THE COMPANY

History

Koffler Organization

The Koffler organization originated with the establishment of a pharmacy in Toronto in 1921 by Leon Koffler, father of Murray B. Koffler, the president of the Company. Murray B. Koffler, who is a pharmacist, took over his father's business and developed the concept of franchising pharmacies. The Koffler organization embarked upon a programme of expansion in the mid 1950's with results as reflected in the following table:

Calendar Year	Number of Stores (including franchisees) at December 31	Retail Sales Volume (including franchisees(1))
1957	2	\$ 315,000
1958	2	785,000
1959	3	970,000
1960	3	1,115,000
1961	4	1,375,000
1962	6	2,418,000
1963	6	3,734,000
1964	10	5,017,000
1965	12	6,947,000
1966	17	10,687,000
1967	20	15,119,000

- (1) The Combined and Consolidated Statement of Earnings appearing on page 20 reports only the sales from its own retail operations and franchise fees earned. They do not include the sales of the franchisees.

Plaza Organization

The Plaza organization ("Plaza") was founded in 1954 by Wilfred Isaacson, a well-known Toronto pharmacist, who has been active in the profession since 1922. From the opening of its first drug store, the direction and growth of the organization was supervised and fostered by 7 Toronto pharmacists. Plaza has established large drug and health and beauty aid units located in major suburban shopping centres and in regional shopping centres, such as Yorkdale in Metropolitan Toronto and the Greater Hamilton Shopping Centre. In addition to the opening of its own stores, the Plaza organization has opened several new stores in association with other pharmacists who operate the individual units. To complement its drug outlets, Plaza entered the health and beauty aid field with the incorporation of Super-Deal Discount Stores Limited in 1965. In the same year, Plaza opened a new 27,000 sq. ft. head office and warehouse located in the Dufferin-Finch area of Metropolitan Toronto. As in the Koffler organization, Plaza's expansion has been quite pronounced as shown in the following table:

Calendar Year	Number of Stores at December 31(1)	Retail Sales Volume(1)
1957	9	\$ 1,801,000
1958	9	2,378,000
1959	10	3,141,000
1960	12	3,340,000
1961	17	4,042,000
1962	18	4,737,000
1963	18	5,832,000
1964	20	6,749,000
1965	21	8,011,000
1966	29	9,662,000
1967	33	12,450,000

- (1) The Plaza organization had no franchise operations.

Combined Operations

Scope of Business

Through the 55 retail units now in existence, which include those operated by franchisees, the Company markets a wide range of prescription drugs, proprietary drugs, cosmetics and toiletries, photographic equipment, tobacco, magazines and sundry products. Of these 55 units, 48 are pharmacies or drug marts and 7 are health and beauty aid stores, most of which carry similar product lines to those of pharmacies but do not have a professional prescription department.

The individual units operate under names owned by the Company such as Shoppers Drug Mart, Plaza Drugs, Koffler's Drugs and Koffler's Drug Mart, while other pharmacy units are operated by the Company in Sayvette and Beamish department stores and through franchisees in G.E.M. and Sentry department stores.

Seven new pharmacies—all Shoppers Drug Marts—will be opened within the next 12 months making a total of 62 stores in the chain.

Individual drug store selling areas range from 2,000 sq. ft. to 15,000 sq. ft., with the average ranging from approximately 4,000 sq. ft. to 7,000 sq. ft., while many of the newer stores are in excess of 10,000 sq. ft. In the larger stores as many as 15,000 items of merchandise are carried and annual sales volume in some of these stores exceeds \$1.5 million. The stores are all modern in appearance and layout, well-lit and operate on the self-service principle required when high volume sales are involved.

Although product lines vary among individual units, an approximate breakdown of the percentage of sales represented by various product groups is as follows:

Proprietary drugs.....	40%
Photography, magazines and sundries.....	20
Prescription drugs.....	15
Cosmetics and toiletries.....	15
Tobacco.....	10

Sites

Of the 55 individual pharmacies and health and beauty aid stores, 33 are located in shopping centre complexes, 12 are drug departments in mass-merchandising department stores and the balance are individual store units. Location is extremely important in the retail business and the Company has located most of its outlets in shopping centres which feature well-known department stores drawing a heavy concentration of shoppers. In addition to the department stores mentioned above, the Company has stores in large shopping plazas in which are located such leading stores as Eaton's, Simpsons, Simpsons-Sears, The Bay, Towers, Woolco, Miracle Mart and K-Mart. Over the years the Company has gained extensive experience in the selection of sites for drug store operations and in negotiating and settling the terms of leases with landlords.

Currently 28 stores are operated or franchised in Metropolitan Toronto, 4 in the Hamilton area, 3 in Ottawa, 2 in each of Barrie, Brampton, London, Oakville and St. Catharines and 1 in each of Galt, Kingston, Kitchener, North Bay, Peterborough, Port Credit, Sarnia, Sault Ste. Marie, Trenton and Windsor.

Franchising

Of the individual stores, 18 are owned and operated by franchisees and these account for approximately 30% of the total retail sales volume of the Company and its franchisees combined. These franchisees are pharmacists, or companies owned by pharmacists, who have a franchise agreement with the Company. In return for a franchise fee based on a percentage of gross revenue, the Company provides most franchisees with marketing, financial and general management guidance and the right to use its trade names.

For the most part, these franchised operations were originally stores or units owned and operated by the Company. It is the policy of the Company to own and operate these outlets in their initial stages and when the business becomes established a franchise agreement is entered into with a franchisee. In most instances, the franchisee purchases the store's inventory and the Company takes back a chattel mortgage to secure payment. When the Company transfers an individual drug store operation to a franchisee, the Company nonetheless retains ownership of the lease of the site and, by virtue of its franchise agreement, usually retains a considerable degree of guidance over the operations of the franchisee. Upon the termination of a franchise agreement, the right of the franchisee to use the Company's trade name is also terminated. The Company also operates an equipment leasing division which leases store fixtures and other equipment to franchisees.

From experience, it has been found that the franchising policy has been most successful from the point of view of both the Company and the individual pharmacists who operate the stores. The latter enjoy the advantage of a central buying organization as well as the management guidance mentioned above, and have the benefit of commencing business with an established operation. At the same time, with the franchisee-operated pharmacy, there is greater incentive and potential for sales and profit expansion. This policy has also been employed successfully in many other consumer oriented industries in which business is carried on in retail outlets and where personal service is of prime importance.

The retail sales of the Company in 1967 amounted to approximately \$19,000,000. The Company also received franchise fees based on approximately \$9,000,000 of sales by franchisees. The combined retail sales of the Company and its franchisees therefore amounted to approximately \$28,000,000 making the business of the Company and its franchisees one of the largest retail drug chains in Canada.

The Company's mass-merchandising techniques permit volume buying through the Company's central purchasing office. In its buying operations the Company makes use, when required, of its centrally located warehouse in Metropolitan Toronto.

The franchised pharmacies carry on business under various names including Shoppers Drug Mart. Shoppers Drug Marts through their mass-merchandising and promotional techniques have proved to be most successful. The Company plans, where feasible, to convert the 32 drug stores presently owned and operated by it into Shoppers Drug Marts and then franchise them.

Employees

The Company and its franchisees employ approximately 950 full time and part time people of whom about 450 are from the Koffler organization and about 500 from the Plaza organization. Of the 950 employees, approximately 125 are pharmacists, primarily graduates of the Faculty of Pharmacy, University of Toronto.

Industry Position

According to the latest figures published by the Dominion Bureau of Statistics, drug store sales in Canada in 1967 amounted to \$664 million and accounted for slightly over 2.5% of total retail sales. Growth in volume on an historical basis has closely paralleled the growth in retail trade, although in recent years drug store sales have accelerated slightly faster. During the past five years, drug store sales have increased at an average annual compound rate of 6.7% compared with 6.5% for total retail trade.

The Company's gross revenue, because a proportion is represented by franchised fees earned, is not strictly comparable with the Dominion Bureau of Statistics published figures. However, by totalling the retail sales of the Company's stores and those of the franchisees, an accurate comparison with the Dominion Bureau of Statistics figures can be made. The growth over the last five years is illustrated in the following table:

	The Company's Sales (including franchisees) (\$ million)	Drug Store Sales ⁽¹⁾ (\$ million)	Total Retail Sales ⁽¹⁾ (\$ million)
1962.....	7	482	17,094
1963.....	10	502	18,116
1964.....	12	538	19,351
1965.....	15	563	20,802
1966.....	20	615	22,108
1967.....	28	664	23,434
Average annual increase . . .	31.0%	6.7%	6.5%

(1) SOURCE: Dominion Bureau of Statistics.

Associates and Partnerships

The Company has a share interest in each of the following Associates: Plaza Drugs (Ottawa) Limited, Plaza Drugs (Towne & Countrye) Limited, Plaza Drugs (Terminal Towers) Limited, Plaza Drugs (St. Catharines) Limited, Plaza Drugs (Weston) Limited, Plaza Drugs (Brampton) Limited, Plaza Drugs (Barrie) Limited, Plaza Drugs (Dundas) Limited, Plaza Drugs (Hamilton) Limited and Plaza Drugs (The Centre) Limited. The equity and voting interests of the Company in the Associates range from 34.5% to 75% but are usually 50%. The Company also has a 75% interest in a partnership known as Plaza Drugs (Yorkdale) and a 50% interest in a partnership known as Plaza Drugs (Leslie & Finch). Each of these Associates and partnerships operates one pharmacy at the location

indicated in the Schedule of Lease and License Locations on page 13 of this prospectus. The retail sales of the Associates and partnerships represent approximately 17% of the total retail sales volume of the Company and its franchisees.

PROPERTY OF THE COMPANY

The Company is presently tenant or licensee in 55 locations and has entered into agreements to lease 3 additional locations in which business has not yet commenced. Of the present leases and licenses, 18 of the locations have been franchised by the Company to others; the Company carries on business directly in 25 locations, and the 10 Associates and 2 partnerships carry on business in one location each. The particulars of the leases and licenses in these various locations are set forth in the Schedule of Lease and License Locations on page 13 of this prospectus.

The Company also occupies leased premises at 37 Martin Ross Avenue, Downsview, Ontario which is used as its head office and warehouse. The particulars of this lease are described under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.

In addition to the foregoing, the Company uses as office premises a portion of leased premises at 3089 Dufferin Street, Toronto 19, Ontario, the balance of which is used by one of the franchisees of the Company. The particulars of this lease are described under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.

In most of the locations, the Company is the owner of certain of the furniture, fixtures and equipment used in connection with the businesses carried on therein, certain of which are also subject to chattel mortgages and conditional sales contracts incurred at the time of purchase of such equipment. The aggregate indebtedness at January 31, 1968 under these mortgages and contracts was \$343,993.

APPLICATION OF PROCEEDS

The estimated net proceeds to be received by the Company from the sale of the 160,000 shares offered by this prospectus will be \$1,400,000 after deducting the underwriter's discount and payment of expenses. These proceeds will be used to repay bank indebtedness to the extent of \$241,475 and the balance will be added to working capital to augment the Company's cash resources and ultimately will be used in the expansion and fixturing of existing stores, the establishment of new stores and, when considered in the best interests of the Company, the acquisition of the shares in the Associates held by others.

UNDERWRITING

Under an agreement dated June 20, 1968 McLeod, Young, Weir & Company Limited, as underwriter, has agreed to purchase from the Company, subject to the terms and conditions set forth in the said agreement, the 160,000 shares offered by this prospectus for an aggregate price of \$1,504,000 payable in cash against delivery.

THE SHARES

The authorized capital of the Company consists of 2,000,000 shares without par value, of which 640,000 (which do not include the shares being offered by this prospectus) are issued and outstanding as fully paid and non-assessable. Each share without par value in the capital of the Company is entitled to one vote at all meetings of shareholders and all shares rank equally in respect of dividend rights and upon a winding-up or dissolution of the Company.

DIVIDENDS

No dividends have been paid on the Company's shares to date. Certain of the predecessor corporations of the Company have declared dividends in prior years, and reference is made to the Combined and Consolidated Statement of Retained Earnings on page 20 of this prospectus for the amount of these dividends.

Policy

It is the present intention of the directors to establish a general dividend policy, paying in each fiscal year commencing in the current year, dividends which will in the aggregate amount to approximately 50% of the Company's net profit after tax for the preceding fiscal year. This policy is subject at all times to the discretion of the directors, having regard to the best interests of the Company under the circumstances existing at the time, including capital expenditure requirements of the Company and the advisability of reinvesting earnings to meet such requirements. At the present time, it is anticipated that quarterly dividends will be paid.

MANAGEMENT OF THE COMPANY

The names, home addresses and positions held with the Company of the directors and senior officers of the Company are set forth below:

MURRAY BERNARD KOFFLER.....	23 Beechwood Avenue.....	Director, Chairman of the Board and President
	Willowdale, Ontario	
PHILIP WILLIAM GOLDMAN.....	382 Cortleigh Boulevard.....	Director, Vice-President and Chairman of the Executive Committee
	Toronto 12, Ontario	
JACK GWARTZ.....	49 Morewood Avenue.....	Director and Executive Vice-President
	Willowdale, Ontario	
WILFRED ISAACSON.....	34 Carscadden Drive, Apt. 604.....	Director and Secretary
	Willowdale, Ontario	
BERTRAND GERSTEIN.....	78 The Bridle Path.....	Director
	Don Mills, Ontario	
JAMES EDWARD KELLEY.....	124 Inglewood Drive.....	Director
	Toronto 7, Ontario	
LEONARD NELSON WATT.....	1470 Mississauga Road North.....	Director
	Port Credit, Ontario	
JACK KIRK.....	75 Tavistock Road.....	General Manager
	Downsview, Ontario	
MAX GLAZER.....	555 Sheppard Avenue West.....	Treasurer
	Apt. 1010	
	Downsview, Ontario	

Murray Bernard Koffler, Phm.B., age 44, was president of the predecessor companies which constituted the Koffler organization, the first of which was incorporated in 1956. Mr. Koffler instituted the policy of franchised pharmacies and supervised the growth of the Shoppers Drug Mart chain. As chairman of the board, president and director of the Company, Mr. Koffler is the chief executive officer of the Company and will supervise its future development. Mr. Koffler is also a director of National Drug and Chemical Company of Canada, Limited.

Philip William Goldman, Phm.B., age 56, was a director of Plaza Drug Stores Limited from 1955 to 1968, becoming its president in 1961. In his new position as chairman of the executive committee of the board of directors of the Company, Mr. Goldman is responsible for general management and leasing operations. Mr. Goldman is currently the president of the Canadian Pharmaceutical Association.

Jack Gwartz, B.Sc., (Phm.), age 35, has been with the Koffler organization since 1959 and has served as vice-president and general manager since 1966. Mr. Gwartz, as executive vice-president and director of the Company, will be responsible for the development of new store locations.

Wilfred Isaacson, Phm.B., age 69, was the founder of Plaza Drug Stores Limited in 1954. Mr. Isaacson was president of that company to 1961 and has been chairman of the board since 1961. Mr. Isaacson is also a member of the council of the Ontario College of Pharmacy and a director of Drug Trading Company Limited.

Bertrand Gerstein has, since 1966, been chairman of the board of Peoples Credit Jewellers Limited. For 9 years prior thereto, he was president of that company.

James Edward Kelley has been president of The Columbia Commonwealth Corporation Limited since 1964 and St. Laurent Shopping Centre Limited since 1966. Prior to 1964, he was vice-president of Canadian Equity & Development Company Limited and vice-president and general manager of Don Mills Development Limited.

Leonard Nelson Watt is president of Fiscal Consultants Limited, a position which he has held for more than 5 years. Mr. Watt is also a director and vice-chairman of the board of directors of Slater Steel Industries Limited.

Jack Kirk, Phm.B., age 45, was co-founder along with Mr. Isaacson of Plaza Drug Stores Limited in 1954, and since that date has been general manager, a position he has also assumed with the Company.

Max Glazer, Phm.B., age 54, was treasurer of Plaza Drug Stores Limited since its incorporation in 1954 and in recent years supervised the operations of that company's drug departments in department stores. In addition to being treasurer of the Company, Mr. Glazer will also act as comptroller.

In addition to the foregoing, other members of the management group are listed below:

Irving Bain, Phm.B., age 41, is in charge of advertising and purchasing for the Company. Formerly he was executive vice-president of Plaza Drug Stores Limited and was responsible for purchasing.

Samuel Mandel, Phm.B., age 42, is responsible for new store installation and planning for the Company. He was formerly vice-president in charge of merchandising for Plaza Drug Stores Limited.

Bernard Glazier, Phm.B., age 47, is in charge of the management and development of the non-drug outlets of the Company. He held the same position with Plaza Drug Stores Limited since 1954.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company, including that paid by its Subsidiaries and Associates, to the directors and senior officers of the Company during the twelve months ended December 31, 1967 was \$166,202 and during the four month period ending April 30, 1968 was \$35,275. The estimated aggregate cost to the Company, including its Subsidiaries and Associates, during the twelve months ended December 31, 1967, of all pension benefits to be paid to the directors and senior officers of the Company under the normal pension plan in the event of retirement at normal retirement age was \$9,152. It is estimated that for the current financial year the aggregate direct remuneration payable to the directors and senior officers of the Company will be at the rate of approximately \$135,000 per annum plus pension contributions of \$7,500.

PRINCIPAL HOLDERS OF SECURITIES

The following table lists the only shareholder of the Company owning of record or known to the Company to own beneficially, either directly or indirectly, more than 10% of the shares of the Company at June 20, 1968 and also indicates the number of shares which will be held by him on completion of the sale of the shares offered by this prospectus:

	Designation of class	Type of ownership	Number of shares owned	Percentage of class	Following completion of the sale of the shares offered hereby	
					Number of shares owned	Percentage of class
Murray Bernard Koffler 23 Beechwood Avenue, Willowdale, Ontario	Shares without par value	Of record and beneficial	195,968	30.6%	195,968	24.5%

Upon completion of the sale of shares offered by this prospectus, the holdings of Mr. and Mrs. Murray B. Koffler and the 5 trusts established for the Koffler children will aggregate 403,200 shares of the Company, which will represent 50.4% of the outstanding shares.

Murray B. Koffler may be considered a promoter. In addition to the shares he received by virtue of the amalgamation, reference is made to page 10 of this prospectus under the heading "Interest of Management and Others in Material Transactions".

Under an agreement dated June 20, 1968 Eglinton Square Drugs Limited and Jack Gwartz Drugs Limited have agreed to execute a proxy in favour of Murray B. Koffler, so long as they continue to hold all or part of the shares of the Company received by them on the sale of their respective businesses to the Company, which in the aggregate total 44,800 shares, and further to grant Murray B. Koffler a first right of refusal in the event of a sale of any of these shares. The agreement will terminate in 21 years or earlier if all of the aforesaid shares are sold.

Under an agreement dated June 20, 1968 Murray B. Koffler, Marvelle Koffler, Edward Laxton and Fred Swartz, trustees, Edward Laxton and Marvelle Koffler, trustees, Mildred Laxton and Marvelle Koffler, trustees, Edward Laxton and Murray B. Koffler, trustees, and Mildred Laxton and Murray B. Koffler, trustees, Eglinton Square Drugs Limited, Jack Gwartz Drugs Limited, Philip Goldman, Jack Kirk, Max Glazer, Bernard Glazier, Wilfred Isaacson, Irving Bain and Samuel Mandel (being the holders of all the issued shares of the Company, other than the shares offered by this prospectus) agreed to vote their 640,000 shares in such a manner that two of

the directors of the Company will be nominees of the last seven mentioned parties and two of the directors of the Company will be nominees of Murray B. Koffler. This agreement will continue for a period of three years.

The number of shares of the Company beneficially owned directly or indirectly by all directors and senior officers of the Company as a group at June 20, 1968 is as follows:

<u>Class of Shares</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>
Shares without par value	327,909	41.0 %

ESCROWED SHARES

The following table sets out the number of shares which, to the knowledge of the Company, are held in escrow:

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Shares without par value	408,000	51 %

A total of 408,000 shares, being 51 % of the shares to be outstanding on completion of the sale of shares offered by this prospectus, are held in escrow by Canada Permanent Trust Company, 320 Bay Street, Toronto, subject to release, transfer, hypothecation or other alienation only upon the prior written consent of the Company, the Ontario Securities Commission and the Quebec Securities Commission. The said shares are beneficially owned as follows: Murray B. Koffler, 124,930 shares, Marvelle Koffler, 36,063 shares, Edward Laxton and Fred Swartz, trustees, 16,177 shares, Edward Laxton and Marvelle Koffler, trustees, 16,181 shares, Mildred Laxton and Marvelle Koffler, trustees, 16,177 shares, Edward Laxton and Murray B. Koffler, trustees, 16,181 shares, Mildred Laxton and Murray B. Koffler, trustees, 31,331 shares, Eglinton Square Drugs Limited, 14,390 shares, Philip Goldman, 17,486 shares, Jack Kirk, 17,486 shares, Max Glazer, 17,486 shares, Bernard Glazier, 17,486 shares, Wilfred Isaacson, 17,486 shares, Irving Bain, 17,485 shares, Samuel Mandel, 17,485 shares, Jack Gwartz Drugs Limited, 14,170 shares.

Under an agreement dated June 20, 1968, the holders of all the issued shares of the Company, other than the shares offered by this prospectus, have agreed not to sell their shares before July 1, 1969 without the prior written consent of the underwriter, McLeod, Young, Weir & Company Limited.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Under an agreement dated May 22, 1968 Don-York Drugs Limited, Don-Koffler Drugs Limited, G.E.M. Drugs (London) Limited, G.E.M. Drugs (Ottawa) Limited, Griekoff Company Limited, Murlease Company Limited, K.R.H. Drug Company Limited, Parkwoods-Koffler Drugs Limited, all companies forming part of the Koffler organization, amalgamated with Plaza Drug Stores Limited and Super-Deal Discount Stores Limited, being companies forming part of the Plaza organization, and continued as the Company under Letters Patent of Amalgamation dated June 20, 1968. The shareholders of the companies from the Koffler organization entering into the amalgamation and the number of shares received by such persons were Murray B. Koffler, 195,968 shares, Marvelle Koffler of 23 Beechwood Avenue, Willowdale, Ontario, 56,570 shares and Edward Laxton and Fred Swartz, trustees, of 575 Avenue Road, Toronto 7, Ontario, 23,764 shares. The total number of shares issued to these persons was 276,302 shares and the total combined retained earnings and paid up capital of these eight companies was \$585,321 at January 31, 1968. The shareholders of the companies from the Plaza organization entering into the amalgamation and the number of shares received by such persons were Philip Goldman, 27,429 shares, Wilfred Isaacson 27,429 shares, Jack Kirk 27,428 shares, Max Glazer 27,429 shares, Bernard Glazier of 30 Fraserwood Avenue, Toronto 19, Ontario, 27,429 shares, Irving Bain of 93 Rockford Road, Willowdale, Ontario, 27,428 shares and Samuel Mandel of 185 Lord Seaton Drive, Willowdale, Ontario, 27,428 shares. The total number of shares issued to these persons was 192,000 shares and the total consolidated retained earnings and paid up capital of these two companies and their consolidated subsidiaries and partnership interests was \$1,014,827 at January 31, 1968.

The Company under an agreement dated May 22, 1968 purchased from Edward Laxton and Fred Swartz, trustees, Edward Laxton and Marvelle Koffler, trustees, Mildred Laxton and Marvelle Koffler, trustees, Edward Laxton and Murray B. Koffler, trustees, and Mildred Laxton and Murray B. Koffler, trustees, all of 575 Avenue Road, Toronto 7, Ontario, and all carrying on business under the firm name and style of Kochild's, the business assets of Kochild's as a going concern. The business previously carried on by Kochild's was the franchising of several pharmacies and drug marts plus the operation of one health and beauty aid store. The consideration for the purchase of the said assets consisted of the assumption by the Company of the business liabilities of the

partnership at the close of business on June 18, 1968 and the issuance to the vendors of 126,898 shares of the Company. The book value of the business acquired was \$275,518 at January 31, 1968. The said shares were issued to the five trusts equally. The beneficiaries of the five trusts are the children of Murray B. Koffler.

The Company under an agreement dated May 22, 1968 purchased from Eglinton Square Drugs Limited of 18 Eglinton Square, Scarborough, Ontario, the drug mart business, as a going concern, previously carried on by the vendor. The consideration for the purchase of the business consisted of the assumption by the Company of all of the business liabilities of the vendor at the close of business on June 18, 1968 and the issuance to the vendor of 22,573 shares of the Company. The book value of the business acquired was \$60,408 at January 31, 1968. The shares of Eglinton Square Drugs Limited are owned by Judith Gwartz, wife of Jack Gwartz.

The Company under an agreement dated May 22, 1968 purchased from Jack Gwartz Drugs Limited of 3003 Danforth Avenue, Toronto 13, Ontario, the drug mart business, as a going concern, previously carried on by the vendor. The consideration for the purchase of the business consisted of the assumption by the Company of all of the business liabilities of the vendor at the close of business on June 18, 1968 and the issuance to the vendor of 22,227 shares of the Company. The book value of the business acquired was \$51,702 at January 31, 1968. The shares of Jack Gwartz Drugs Limited are owned by Jack Gwartz.

Murlease Company Limited of 3089 Dufferin Street, Toronto 19, Ontario, one of the predecessor corporations of the Company, under an agreement dated August 1, 1967, purchased from Murray B. Koffler all the assets of the proprietorship business previously carried on by Murray B. Koffler under the name The Torodrom Company, which assets consisted principally of equipment used by franchisees of the Company. The purchase price for the business was the book value of the assets acquired and was paid by the assumption of the liabilities, the payment of \$58,590 in cash and the issuance of 100 shares in the capital of the purchaser, being all the issued shares of the purchaser. Murray B. Koffler was the beneficial owner of all the issued shares of Murlease Company Limited immediately prior to the amalgamation referred to in the first paragraph under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.

Under lease dated January 15, 1965, as amended by an agreement dated November 24, 1965, the Company leases its head office and warehouse premises at 37 Martin Ross Avenue, Downsview, Ontario, from Distaff Developments Limited of 44 King Street West, Suite 2222, Toronto 1, Ontario, a company whose shares are owned by the families of Philip Goldman, Bernard Glazier, Wilfred Isaacson, Max Glazer, Samuel Mandel, Jack Kirk and Irving Bain. This lease expires on June 30, 1970, but the tenant has the right to renew the lease for three additional five year periods at the same rent. The lease is a net lease and the annual rental thereunder is \$25,200.

Under an agreement dated June 1, 1965, Murray B. Koffler leased the vacant lands situate at 3089 Dufferin Street, Toronto 19, Ontario, from Aldon Developments Limited, which lease expires January 31, 2026. Until January 31, 1991, the said lease provides for basic rent at the rate of \$7,000 per annum and thereafter calls for increased rent at specified dates. Additional rent is also payable based on a percentage of gross sales of the pharmacy located thereon. Murray B. Koffler constructed on the said lands a building of approximately 17,000 square feet at a cost of \$320,890. By agreement dated March 23, 1966 the lands and premises were then sublet by Murray B. Koffler to the Company for a term expiring January 16, 2026, at an aggregate annual rent of \$3.15 per square foot. These premises are the location of a Shoppers Drug Mart which is franchised by the Company to an independent franchisee and are also used as office premises by the Company.

Certain of the families of some of the shareholders of the Company are shareholders, in their own personal right, of certain of the Associates. In Plaza Drugs (Brampton) Limited, Leah Glazer, wife of Max Glazer, is the owner of 1 % of the common shares and 480 Class B non-voting non-participating preference shares (representing 2 % of the non-voting shares). In Plaza Drugs (Dundas) Limited, Merle Goldman, wife of Philip Goldman, is the owner of 800 Class B voting non-participating preference shares (representing 7 % of the voting shares), and in Plaza Drugs (Weston) Limited, Lillian Mandel, wife of Samuel Mandel, of 185 Lord Seaton Drive, Willowdale, Ontario, is the owner of 300 Class A voting non-participating preference shares (representing 4 % of the voting shares).

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, and aside from the leases, licenses and franchise agreements referred to in this prospectus, the only material contracts entered into by the Company or its Subsidiaries or Associates within the two years prior to the date of this prospectus are the following:

- (a) Underwriting agreement dated June 20, 1968 between the Company and McLeod, Young, Weir & Company Limited relating to the sale and purchase of 160,000 shares of the Company referred to on page 7 of this prospectus under the heading "Underwriting".

- (b) Agreement dated May 22, 1968 between the Company (by its predecessor corporations) and certain other parties wherein the parties agreed to the general plan of reorganization and the offer of shares of the Company to the public as contemplated in this prospectus.
- (c) Agreements between the Company and the other shareholders in certain of the Associates wherein provision is made for the direction of the affairs of such Associate and wherein the Company is obliged in certain instances to purchase the shares of the other shareholders of an Associate.
- (d) Agreement dated May 1, 1967 between the Company and its two partners in the partnership known as Plaza Drugs (Leslie & Finch) wherein provision is made for the direction of such partnership and wherein the Company is obliged in certain instances to purchase the interests of the other partners in the partnership.
- (e) Agreement dated May 22, 1968 wherein the Company acquired the Kochild's business, referred to on page 10 of the prospectus under the heading "Interest of Management and Others in Material Transactions".
- (f) Agreement dated May 22, 1968 wherein the Company acquired the pharmacy business previously carried on by Eglinton Square Drugs Limited, referred to under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.
- (g) Agreement dated May 22, 1968 wherein the Company acquired the pharmacy business previously carried on by Jack Gwartz Drugs Limited, referred to under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.
- (h) Agreement dated August 1, 1967 wherein the Company through one of its predecessor corporations acquired the equipment rental business previously carried on by The Torodom Company, referred to under the heading "Interest of Management and Others in Material Transactions" on page 10 of this prospectus.
- (i) Amalgamation agreement dated May 22, 1968 between the predecessor corporations of the Company wherein the parties agreed to continue as Koffler Stores Limited.
- (j) Agreement dated June 20, 1968 between the Company, the holders of all the issued shares of the Company, other than the shares offered by this prospectus, McLeod, Young, Weir and Company Limited and Canada Permanent Trust Company referred to under the heading "Escrowed Shares" on page 10 of this prospectus.
- (k) Agreement dated June 20, 1968 between the Company, the holders of all the issued shares of the Company other than shares offered by this prospectus, and Canada Permanent Trust Company referred to under the heading "Escrowed Shares" on page 10 of this prospectus.

Copies of the foregoing contracts may be examined at the head office of the Company during the period of primary distribution of the securities offered hereby and for a period of 30 days thereafter.

LEGAL OPINIONS

Legal matters in connection with this offering have been or will be passed upon for the Company by its counsel, Messrs. Goodman and Carr, Toronto. Messrs. Laxton, Glass & Swartz, Toronto, have passed or will pass upon certain matters pertaining to the Koffler group of companies and Messrs. Croll, Borins & Goldberg, Toronto, have passed or will pass upon certain matters pertaining to the Plaza group of companies. Legal matters in connection with this offering have been or will be passed upon on behalf of McLeod, Young, Weir & Company Limited by Messrs. Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson, Toronto.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Wm. Eisenberg & Co., Chartered Accountants, 425 University Avenue, Toronto, Ontario. Soberman, Isenbaum & Nisker, Chartered Accountants, 150 Eglinton Avenue East, Toronto 12, Ontario, have been auditors of the Plaza organization and in conjunction with Wm. Eisenberg & Co. have reported on the financial statements contained in this prospectus.

The transfer agent and registrar with respect to the shares without par value of the Company is Canada Permanent Trust Company at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

SCHEDULE OF LEASE AND LICENSE LOCATIONS

<u>Location</u>	<u>Expiry Date</u>	<u>Renewal Period (if any) (1)</u>
METROPOLITAN TORONTO		
Crang Plaza, 1630 Wilson Avenue, Downsview.....	March 31, 1972	5 years
Humbertown Shopping Centre, 70 Humbertown Shopping Centre, Islington..	March 30, 1974	
Downsview Shopping Centre, 1084 Wilson Avenue, Downsview.....	March 31, 1972	5 years
Northtown Shopping Centre, 5385 Yonge Street, Willowdale.....	February 29, 1976	10 years
Rexdale Shopping Plaza, 1125 Islington Avenue North, Rexdale.....	February 28, 1973	5 years
Martinway Plaza, 415 The Westway, Weston.....	October 31, 1979	
Parkway Plaza, 49 Ellesmere Road, Scarborough.....	August 31, 1978	10 years
Cedarbrae Shopping Plaza, 3521 Lawrence Avenue East, Scarborough.....	August 31, 1980	5 years
Thornccliffe Market Place, 40 Overlea Boulevard, Toronto 17.....	March 31, 1986	
Yorkdale Shopping Centre, Dufferin Street & Highway 401, Toronto 19(2)..	February 25, 1984	5 years
295 Yonge Street, Toronto(3).....	December 30, 1973	
Dominion Centre, 149 Ravel Road, Willowdale(2).....	April 30, 1987	5 years
Sayvette Department Store, Thornccliffe Market Place, 40 Overlea Boulevard, Toronto 17.....	September 1, 1976	
Sayvette Department Store, 6220 Yonge Street, Willowdale.....	September 1, 1976	
Sayvette Department Store, 2742 Eglinton Avenue East, Scarborough.....	September 1, 1976	
Jane-Finch Plaza, 3975 Jane Street, Downsview.....	March 31, 1988	5 years
1937 Weston Road, Weston(2).....	May 31, 1982	10 years
Towne & Countrye Square, 6422 Yonge Street, Willowdale(2).....	April 30, 1986	
Don Mills Shopping Centre, 939 Lawrence Avenue East, Don Mills.....	November 30, 1988	10 years
Parkwoods Shopping Centre, 1277 York Mills Road, Don Mills.....	November 30, 1979	10 years
York Mills Shopping Centre, 2528 Bayview Avenue, Willowdale.....	March 31, 1978	20 years
The York Miller (York Mills Centre), 309 York Mills Road, Willowdale....	March 31, 1978	20 years
G.E.M. Department Store, 7171 Yonge Street, Willowdale.....	February 28, 1985	
Shoppers' World, 3003 Danforth Avenue, Toronto 13.....	March 31, 1982	
Eglinton Square Plaza, 18 Eglinton Square, Scarborough.....	March 14, 1984	
Shoppers Drug Mart, 3089 Dufferin Street, Toronto 19.....	January 31, 2026	
West Side Mall, 2374 Eglinton Avenue West, Toronto 15.....	February 28, 1991	
Shoppers' Drug Mart, 467 Parliament Street, Toronto 2.....	April 30, 1985	
Finch and Pearldale, Rexdale(4).....	20 years from occupancy	5 years
ONTARIO		
Sayvette Department Store, Dixie Plaza, Port Credit.....	September 1, 1976	
Midtown Plaza Shopping Centre, John Street, Oshawa(4).....	September 30, 1988	
Oaktown Plaza, 520 Kerr Street, Oakville.....	January 31, 1987	10 years
Oak-Queen Plaza, 125 Cross Avenue, Oakville.....	August 31, 1980	
369 George Street, Peterborough.....	March 14, 1977	
Sentry Department Store, 1125 London Road, Sarnia.....	August 31, 1969	5 years
Sentry Department Store, 50 Great Northern Road, Sault Ste. Marie.....	February 28, 1971	5 years
Midtown Plaza, St. Catharines.....	March 31, 1983	
Niagara Peninsula Shopping Centre, Glendale Avenue, St. Catharines(2)...	February 28, 1986	5 years
49 Dundas Street West, Trenton.....	December 31, 1972	5 years
G.E.M. Department Store, 2491 Dougall Road, Windsor.....	March 31, 1971	5 years
54 Dunlop Street East, Barrie.....	July 31, 1971	5 years

<u>Location</u>	<u>Expiry Date</u>	<u>Renewal Period (if any) (1)</u>
ONTARIO (continued)		
Barrie Shopping Plaza, 165 Wellington Street West, Barrie(2).....	April 30, 1981	10 years
The Brampton Shopping Centre, 160 Main Street South, Brampton Mall, Brampton(2).....	September 30, 1980	20 years
Village Square Shopping Centre, 20 Rambler Drive, Brampton.....	September 31, 1985	
Burlington Mall Shopping Centre, Guelph Line, Burlington(4).....	September 30, 1989	10 years
University Plaza, 34 Plaza Drive, Dundas(2).....	November 30, 1979	5 years
25 Main Street, Galt.....	February 28, 1970	10 years
Hamilton Mountain Shopping Centre, 665 James Street South, Hamilton(2) ..	May 31, 1975	
Greater Hamilton Shopping Centre, Barton Street East, Hamilton(2).....	October 31, 1975	
Terminal Towers, 140 King Street East, Hamilton(2).....	May 31, 1981	5 years
Sentry Department Store, 2435 Princess Street, Kingston.....	August 31, 1969	5 years
74 King Street, Kitchener.....	July 31, 1971	5 years
Northland Shopping Centre, 1255 Highbury Avenue, London.....	March 6, 1987	10 years
Sayvette Department Store, White Oaks Shopping Centre, London.....	September 1, 1976	
Shoppers Drug Mart, 2025 Cassells Street, North Bay.....	July 30, 1987	14 years
St. Laurent Shopping Centre, 1280 St. Laurent Boulevard, Ottawa.....	October 3, 1987	10 years
Beamish Department Store, 161 Bank Street, Ottawa(2).....	September 29, 1976	
G.E.M. Department Store, 1468 Merivale Road, Ottawa.....	February 28, 1985	

NOTES:

- (1) In certain of the leases and licences, the rental for the renewal period is fixed, in others it is subject to arbitration and in others it is to be mutually agreed upon.
- (2) This lease is owned by an Associate or one of the two partnerships.
- (3) This lease is subject to termination by the landlord on six months' notice in the event of the sale or demolition of the premises.
- (4) The Company has not yet commenced business at these locations.
- (5) Substantially all of the leases and licenses provide for a rental or fee based on gross sales.

AUDITORS' REPORT

To the Directors of
KOFFLER STORES LIMITED

We have examined the combined and consolidated balance sheet of the Koffler Organization and the Plaza Organization and the pro forma consolidated balance sheet of Koffler Stores Limited and its subsidiary companies as at January 31, 1968, and the statements of combined and consolidated earnings and retained earnings and the pro forma statements of combined and consolidated earnings and retained earnings for the five years and one month ended January 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) the accompanying combined and consolidated balance sheet presents fairly the financial position of the Koffler Organization and the Plaza Organization as at January 31, 1968;
- (b) the accompanying pro forma consolidated balance sheet presents fairly the financial position of Koffler Stores Limited and its subsidiary companies as at January 31, 1968, after giving effect to the transactions as set out in note 2 to the balance sheet;
- (c) the accompanying statements of combined and consolidated earnings and retained earnings present fairly the results of operations of the Koffler Organization and the Plaza Organization for the five years and one month ended January 31, 1968;
- (d) the accompanying pro forma statements of combined and consolidated earnings and consolidated retained earnings present fairly the results of operations of the Koffler Organization and the Plaza Organization and Koffler Stores Limited and its subsidiary companies for the five years and one month ended January 31, 1968, after giving effect to the adjustments as set out in notes 2 and 4 to the statements of earnings and retained earnings;

all in accordance with generally accepted accounting principles applied on a consistent basis.

(Signed) WM. EISENBERG & Co.
Chartered Accountants

Toronto, Canada
June 20, 1968

(Signed) SOBERMAN, ISENBAUM & NISKER
Chartered Accountants

KOFFLER ORGANIZATION AND PLAZA ORGANIZATION

Combined and Consolidated Balance Sheet

AND

KOFFLER STORES LIMITED

AND SUBSIDIARY COMPANIES

Pro Forma Consolidated Balance Sheet

as at January 31, 1968

ASSETS

	Combined and Consolidated (Note 1)	Pro Forma Consolidated (Note 2)
CURRENT ASSETS:		
Cash on hand and in bank.....	\$ 150,832	\$1,309,357
Accounts receivable.....	301,786	301,786
Franchise fees receivable.....	77,726	77,726
Inventories—at lower of cost or net realizable value.....	3,149,606	3,149,606
Federal refundable income tax.....	13,076	13,076
Prepaid expenses.....	36,132	36,132
	<u>3,729,158</u>	<u>4,887,683</u>
CHattel MORTGAGES AND LOANS RECEIVABLE		
Chattel mortgages receivable (Note 3).....	179,526	179,526
Loans receivable (Note 4).....	30,000	30,000
	<u>209,526</u>	<u>209,526</u>
FIXED ASSETS:		
Equipment—at cost.....	1,834,576	1,834,576
Leasehold improvements—at cost.....	170,600	170,600
	<u>2,005,176</u>	<u>2,005,176</u>
Less: Accumulated depreciation and amortization.....	869,844	869,844
	<u>1,135,332</u>	<u>1,135,332</u>
OTHER ASSETS:		
Rental deposits.....	27,898	27,898
Deferred finance charges, less accumulated amortization.....	63,130	63,130
Store opening expenses, less accumulated amortization (Note 8).....	40,329	40,329
Costs of reorganization and public financing (Note 2).....	—	200,000
Excess of cost over book value of businesses acquired (Note 2).....	—	1,329,352
	<u>131,357</u>	<u>1,660,709</u>
Approved on behalf of the Board:		
(Signed) M. B. KOFFLER, Director		
(Signed) P. W. GOLDMAN, Director		
	<u>\$5,205,373</u>	<u>\$7,893,250</u>

The accompanying notes are an integral part of the financial statements.

KOFFLER ORGANIZATION AND PLAZA ORGANIZATION

Combined and Consolidated Balance Sheet

AND

KOFFLER STORES LIMITED

AND SUBSIDIARY COMPANIES

Pro Forma Consolidated Balance Sheet

as at January 31, 1968

LIABILITIES

	Combined and Consolidated (Note 1)	Pro Forma Consolidated (Note 2)
CURRENT LIABILITIES:		
Bank indebtedness (Note 5).....	\$ 338,385	\$ 96,910
Accounts payable and accrued liabilities.....	1,840,016	1,840,016
Short term notes payable.....	121,500	121,500
Long term debt—due within one year (Note 6).....	101,651	101,651
Income taxes payable (Note 7)	186,093	186,093
Due to shareholders.....	90,739	90,739
	<u>2,678,384</u>	<u>2,436,909</u>
 LONG TERM DEBT (Note 6).....	 307,554	 307,554
DEFERRED INCOME TAXES (Note 8).....	41,051	41,051
MINORITY INTEREST (Note 9).....	<u>190,608</u>	<u>190,608</u>
 TOTAL LIABILITIES.....	 <u>3,217,597</u>	 <u>2,976,122</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Combined and Consolidated—Issued Shares.....	\$ 118,810	\$ —
Pro forma consolidated		
Authorized		
2,000,000 shares without par value		
Issued		
800,000 shares.....	—	3,435,790
RETAINED EARNINGS (Note 10).....	1,868,966	1,481,338
TOTAL SHAREHOLDERS' EQUITY.....	<u>1,987,776</u>	<u>4,917,128</u>
	<u>\$5,205,373</u>	<u>\$7,893,250</u>

The accompanying notes are an integral part of the financial statements.

KOFFLER ORGANIZATION AND PLAZA ORGANIZATION

AND

KOFFLER STORES LIMITED

AND SUBSIDIARY COMPANIES

Notes to the Combined and Consolidated Balance Sheet

and

Pro Forma Consolidated Balance Sheet

as at January 31, 1968

1. Accounting Presentation

The combined and consolidated balance sheet includes:

- (a) The Koffler organization which combines the accounts of the incorporated and unincorporated drug and related businesses wholly owned by Murray B. Koffler and family and by Jack Gwartz and family; and
- (b) The Plaza organization which consolidates the accounts of Plaza Drug Stores Limited and (i) its wholly and majority owned subsidiaries, (ii) associated companies in which it owns 50% of the voting stock and no less than 50% of the equity stock, (iii) two other associated companies in which it owns 50% and 45% of the equity stock and 49.4% and 44.8% of the voting stock, respectively, (iv) one associated company in which another associated company owns 50% of the voting stock and 69% of the equity stock and (v) interest in two partnerships in which it holds a 75% and 50% interest respectively.

The businesses referred to above are listed in note 1 to the Notes to Combined and Consolidated Statement of Earnings and Retained Earnings appearing on page 21.

The companies and partnerships carry on businesses of a similar nature. Where there is a minority interest in associated companies, in no case is there a single interest which holds a greater proportion of voting stock or equity stock than the Company, and the accounts have been fully combined and consolidated in order to present a more meaningful and informative view of the financial position and the results of operations.

2. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect to the following transactions as if they had occurred on January 31, 1968:

- (a) A general plan of reorganization whereby (i) Letters Patent of Amalgamation brought together the Koffler and Plaza companies and (ii) the businesses carried on by Kochild's, Jack Gwartz Drugs Limited and Eglinton Square Drugs Limited were acquired.
- (b) The issue of 640,000 shares without par value of Koffler Stores Limited as a result of the reorganization referred to in (a) above, as follows:

	Shareholders' Equity as per Combined and Consolidated Balance Sheet	Excess of Cost over Book Value of Businesses Acquired	Total of Shareholders' Equity of Companies Amalgamated and Cost of Businesses Acquired	Shares Issued
Companies Amalgamated				
Koffler companies.....	\$ 585,321	\$ —	\$ 585,321	276,302
Plaza companies.....	1,014,827	—	1,014,827	192,000
Businesses Acquired				
Kochild's.....	275,518	993,462	1,268,980	126,898
Jack Gwartz Drugs Limited.....	51,702	170,568	222,270	22,227
Eglinton Square Drugs Limited...	60,408	165,322	225,730	22,573
Total.....	<u>\$1,987,776</u>	<u>\$1,329,352</u>	<u>\$3,317,128</u>	<u>640,000 shares</u>

- (c) The issue and sale of 160,000 shares without par value for \$1,600,000 less underwriters' discount of \$96,000 and legal, audit and other expenses estimated at \$104,000. The balance of \$1,400,000 is to be used to repay bank indebtedness to the extent of \$241,475 and the remaining proceeds will augment the cash position of the company.

3. Chattel Mortgages Receivable

This represents amounts due from certain franchisees on the sale to them of drug store businesses originally owned and operated by the Company or one of its predecessors. As security for payment, the Company holds a chattel mortgage on the store inventory of the franchisee. The debt bears no interest and is repayable on the termination of the franchise agreement.

4. Loans Receivable

These loans are repayable in annual instalments, with interest at 7% per annum, and mature in 1972.

5. Bank Indebtedness

Of this amount, \$255,254 is secured by a general assignment of book debts.

6. Long Term Debt

	Total outstanding	Due within one year
Long term debt comprises the following:		
Conditional sales contracts for equipment, maturing in monthly instalments until 1972.....	\$262,243	\$ 68,045
Chattel mortgage, 7%, due 1970, secured by fixed assets.....	54,250	21,000
Chattel mortgage, 7½%, due 1973, secured by chattels of an associated company.....	27,500	5,000
Note payable for the purchase of a drug store business, 7%, due 1970.....	15,212	7,606
Loan payable, 7%, due 1971.....	50,000	—
	<u>\$409,205</u>	<u>\$101,651</u>
Less—due within one year.....	101,651	
	<u>\$307,554</u>	

7. Income Taxes Payable

The predecessor companies and their subsidiaries have been regularly assessed by the Federal and Ontario authorities and it is believed that this amount adequately reflects the liability of the Company and its subsidiaries.

8. Deferred Income Taxes

For income tax purposes, the Company has claimed maximum capital cost allowances which are in excess of the depreciation recorded in the accounts.

Store opening expenses are written off for income tax purposes in the year incurred, and for statement purposes are amortized on a straight line basis over the subsequent three years.

The resulting deferred income taxes are provided for on the balance sheet to offset income taxes which may be payable in future years when the depreciation and amortization recorded in the accounts may be in excess of maximum capital cost allowances and deductible store opening expenses.

9. Minority Interest

In subsidiary and associated companies

—Preference shares.....	\$ 93,220	
—Common shares and retained earnings.....	60,915	\$154,135

In partnerships.....		36,473
		<u>\$190,608</u>

10. Retained Earnings

The difference between the combined and consolidated retained earnings and the pro forma consolidated retained earnings represents the transfer to capital stock of the amount of the book value of the net assets acquired from Kochild's, Jack Gwartz Drugs Limited and Eglinton Square Drugs Limited, which book value was previously included in the combined and consolidated retained earnings at January 31, 1968.

11. Leases and Licenses

The total rental paid in 1967 under leases and licenses for store locations and warehouse facilities (including occupancy charges and additional rent payable based on a percentage of gross sales) was as follows:

Total Rental Obligation	Franchisees' Obligation	Net Rental
\$1,405,623	\$553,478	\$852,145

The minimum total annual rentals under leases and licenses for store locations and warehouse facilities (exclusive of occupancy charges and additional rent payable based on a percentage of gross sales) and the expected annual rental to be paid by franchisees for store locations will be as follows:

	Total Rental Obligation	Franchisees' Obligation	Net Minimum Rental
1968.....	\$952,059	\$349,127	\$602,932
1969.....	962,878	362,043	600,835
1970.....	950,915	364,248	586,667
1971.....	939,068	369,115	569,953
1972.....	917,957	370,088	547,869

The minimum total annual rentals under executed leases and licenses not yet in effect for store locations and warehouse facilities (exclusive of occupancy charges and additional rent payable based on a percentage of gross sales) will amount to \$145,000 per annum.

Annual rental payments for store equipment will average approximately \$35,000 for each of the next five years. The expected annual rental revenue to be received for this equipment will be in excess of this amount.

12. Contingent Liabilities and Subsequent Events

Contingent liabilities amount to \$30,000.

Subsequent events include the opening of new stores which are in the normal course of the business of the Company.

KOFFLER ORGANIZATION AND PLAZA ORGANIZATION

Combined and Consolidated Statement of Earnings (Note 1)

and

Pro Forma Combined and Consolidated Statement of Earnings (Note 2)

For the Five Years and One Month Ended January 31, 1968

	Month Ended January 31		Year Ended December 31				
	1968	1967	1967	1966	1965	1964	1963
	(Unaudited)						
Sales.....	\$1,531,111	\$1,547,204	\$19,091,937	\$14,138,979	\$11,298,091	\$ 9,915,788	\$8,099,998
Franchise fees and other income.....	79,973	53,800	788,000	572,214	357,581	190,920	167,476
Total income.....	<u>1,611,084</u>	<u>1,601,004</u>	<u>19,879,937</u>	<u>14,711,193</u>	<u>11,655,672</u>	<u>10,106,708</u>	<u>8,267,474</u>
Earnings from operations before the following charges.....	132,717	101,087	1,456,225	940,458	822,049	639,660	496,191
Depreciation of equipment and amortization of leasehold improvements..	14,286	10,130	165,815	125,856	107,043	86,591	77,216
Amortization of store opening expense	1,192	4,003	13,728	5,548	—	—	—
Interest on long term debt.....	2,448	1,545	22,004	14,041	12,684	12,512	11,930
Income taxes (Note 3).....	39,543	36,960	549,036	345,139	269,888	186,139	120,569
Minority interest in profits (losses)....	(35)	2,689	32,266	16,851	42,403	37,162	28,901
Net earnings for the period...	<u>\$ 75,283</u>	<u>\$ 45,760</u>	<u>\$ 673,376</u>	<u>\$ 433,023</u>	<u>\$ 390,031</u>	<u>\$ 317,256</u>	<u>\$ 257,575</u>
Pro forma adjustments (Note 2)							
Management salaries.....	(641)	3,129	22,054	148,558	113,612	48,919	(7,044)
Income taxes.....	(15,527)	(6,602)	(90,942)	(133,478)	(117,521)	(86,627)	(57,463)
Pro forma adjusted net earnings for the period.....	<u>\$ 59,115</u>	<u>\$ 42,287</u>	<u>\$ 604,488</u>	<u>\$ 448,103</u>	<u>\$ 386,122</u>	<u>\$ 279,548</u>	<u>\$ 193,068</u>

Combined and Consolidated Statement of Retained Earnings (Note 1)

and

Pro Forma Consolidated Retained Earnings

For the Five Years and One Month Ended January 31, 1968

	Month Ended January 31		Year Ended December 31				
	1968	1967	1967	1966	1965	1964	1963
	(Unaudited)						
Retained earnings at the beginning of the period.....	\$1,801,237	\$1,564,049	\$ 1,564,049	\$ 1,302,607	\$ 1,009,050	\$ 757,729	\$ 604,026
Net earnings for the period.....	75,283	45,760	673,376	433,023	390,031	317,256	257,575
	1,876,520	1,609,809	2,237,425	1,735,630	1,399,081	1,074,985	861,601
Dividends on common shares.....	—	—	45,182	35,105	91,383	26,616	74,621
Withdrawals (Note 5).....	2,186	—	194,023	136,476	5,091	38,319	29,251
Goodwill written off.....	—	—	190,077	—	—	—	—
Other amounts written off and sundry charges.....	5,368	—	6,906	—	—	1,000	—
Retained earnings at the end of the period.....	<u>\$1,868,966</u>	<u>\$1,609,809</u>	<u>\$ 1,801,237</u>	<u>\$ 1,564,049</u>	<u>\$ 1,302,607</u>	<u>\$ 1,009,050</u>	<u>\$ 757,729</u>
Pro forma adjustment (Note 4)							
Transfer to Capital Stock.....	387,628						
Pro forma retained earnings— January 31, 1968.....	<u>\$1,481,338</u>						

The accompanying notes are an integral part of the financial statements.

KOFFLER ORGANIZATION AND PLAZA ORGANIZATION

Notes to Combined and Consolidated Statements of Earnings and Retained Earnings and

Pro Forma Combined and Consolidated Statements of Earnings and Retained Earnings For the Five Years and One Month ended January 31, 1968

1. Combined and Consolidated Statements of Earnings and Retained Earnings

The combined and consolidated statements of earnings and retained earnings include the operations of the following entities:

Don-York Drugs Limited	Plaza Drugs (Toronto) Limited
Don-Koffler Drugs Limited	Plaza Drugs (Hamilton) Limited
G.E.M. Drugs (London) Limited	Plaza Drugs (The Centre) Limited
G.E.M. Drugs (Ottawa) Limited	Plaza Drugs (Dundas) Limited
Griekoff Company Limited	Plaza Drugs (Barrie) Limited
Murlease Company Limited	Plaza Drugs (Brampton) Limited
K.R.H. Drug Company Limited	Plaza Drugs (Weston) Limited
Parkwoods-Koffler Drugs Limited	Plaza Drugs (St. Catharines) Limited
Jack Gwartz Drugs Limited	Plaza Drugs (Terminal Towers) Limited
Eglinton Square Drugs Limited	Plaza Drugs (Towne & Countrye) Limited
Kochild's	Plaza Drugs (Ottawa) Limited
Plaza Drug Stores Limited	Plaza Drugs (Yorkdale)
Super-Deal Discount Stores Limited	Plaza Drugs (Leslie & Finch)
Sayval Drug Company Limited	

A number of the above have different fiscal year ends. To make proper comparisons and a more accurate presentation, their earnings have been pro-rated on a monthly basis to December 31 in each year.

Where certain businesses were not incorporated during the entire period, income taxes have been provided for at corporate rates.

2. Pro Forma Combined and Consolidated Statement of Earnings

The pro forma combined and consolidated statement of earnings gives effect to the following adjustments:

- the restatement of direct remuneration of senior officers and other management personnel from the historical basis to the payments under present arrangements totalling \$197,600 per annum; and
- the restatement of income taxes from the historical basis to those exigible if the transactions contemplated above and in note 2 to the notes to the combined and consolidated balance sheet had been in effect for the five years and one month.

3. Income Taxes

To January 31, 1968, certain companies have loss carry-overs of approximately \$100,000 that are available to reduce future income taxes.

4. Pro Forma Adjustment

This gives effect to the purchase by the Company of those assets pertaining to the businesses of Kochild's, Jack Gwartz Drugs Limited and Eglinton Square Drugs Limited, the net book value of which was reflected in the retained earnings at January 31, 1968.

5. Withdrawals

This represents withdrawals during the period, by the owners from (i) businesses prior to their incorporation and (ii) the businesses referred to in note 4 above.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1967 (Alberta), The Securities Act, 1966 (Ontario) and The Securities Act, 1967 (Saskatchewan) provide, in effect, that where a security is offered to the public in the course of primary distribution

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to Sections 63 and 64 of each of The Securities Act, 1967 (Alberta) and The Securities Act, 1966 (Ontario) and to Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) for the complete text of the provisions under which the above-mentioned rights are conferred.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect, that where a security is offered to the public in the course of primary distribution

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered or deemed delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act of British Columbia for the complete text of the provisions under which the rights of purchasers in British Columbia are conferred.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder; and in addition the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible, which are included herein.

Toronto, June 20, 1968.

(Signed) M. B. KOFFLER
Chief Executive Officer

(Signed) M. GLAZER
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JACK GWARTZ

(Signed) W. ISAACSON

Directors

(Signed) M. B. KOFFLER

(Signed) P. W. GOLDMAN

(Signed) JACK GWARTZ

(Signed) W. ISAACSON

(Signed) BERTRAND GERSTEIN

(Signed) J. E. KELLEY

(Signed) L. N. WATT

Promoter

(Signed) M. B. KOFFLER

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder; and, in addition, to the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or other reports where required or exigible, which are included herein.

Toronto, June 20, 1968.

MCLEOD, YOUNG, WEIR & COMPANY LIMITED

By (Signed) C. P. KEELEY

The following includes the names of all persons having an interest directly or indirectly to the extent of not less than 5% in the capital of McLeod, Young, Weir & Company Limited: J. S. Dinnick, G. C. MacDonald, F. O. Evans, C. P. Keeley, R. W. Wadds, J. R. Hilborn and R. J. G. Reiner.

SCHEDULE A — cont'd.

COMPANY NAME

AUTHORIZED AND ISSUED SHARE CAPITAL

Plaza Drugs (Ottawa) Limited
(Incorporated August 8, 1966, Province of Ontario)

\$40,000 divided into 5,000 Class A preference shares with a par value of \$1.00 each; 30,000 Class B preference shares with a par value of \$1 each; 1,000 Class C preference shares with a par value of \$1 each; and 4,000 common shares with a par value of \$1 each. Of the said shares, 19,000 Class B preference shares, 40 Class C preference shares, and 960 common shares are allotted and issued.

Plaza Drugs (Barrie) Limited
(Incorporated March 30, 1961, Province of Ontario)

\$100,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 850 Class B preference shares with a par value of \$100 each; 5,000 Class C preference shares with a par value of \$1 each; and 5,000 common shares with a par value of \$1 each. Of the said shares, 48 Class B preference shares and 2,400 common shares are allotted and issued.

Plaza Drugs (Terminal Towers) Limited
(Incorporated June 7, 1966, Province of Ontario)

\$40,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 30,000 Class B preference shares with a par value of \$1 each; 1,000 Class C preference shares with a par value of \$1 each and 4,000 common shares with a par value of \$1 each. Of the said shares, 19,000 Class B preference shares, 40 Class C preference shares and 960 common shares have been allotted and issued.

H. M. & C Holdings Limited
(Incorporated November 25, 1966, Province of Ontario)

\$40,000 divided into 5,000 Class A preference shares with a par value of \$1 each; 30,000 Class B preference shares with a par value of \$1 each; 1,000 Class C preference shares with a par value of \$1 each; and 4,000 common shares with a par value of \$1 each. Of the said shares, 144 Class C preference shares and 144 common shares are allotted and issued.

Distribution of Capital stock as of August 1, 1968

Number	Shares
144 Holders of 1 — 24 share lots	1,793
235 " " 25 — 99 " "	9,486
115 " " 100 — 199 " "	12,455
38 " " 200 — 299 " "	8,125
19 " " 300 — 399 " "	5,842
10 " " 400 — 499 " "	4,050
52 " " 500 — 999 " "	30,678
46 " " 1000 — up " "	727,571
<u>659 Shareholders</u>	<u>Total shares 800,000</u>

Investor Relations Canada Limited
43 Eglinton Avenue East
Toronto 12, Ontario
Patrick Manion, 481-4438

On Behalf of: Koffler Stores Limited
37 Martin Ross Avenue
Downsview, Ontario
Philip W. Goldman, Vice President
638-1750 *file*

TORONTO, June 24, 1969 -- Koffler Stores Limited today released
unaudited results for the first quarter ended April 30, 1969:

	<u>Quarter Ended</u> <u>April 30, 1969</u>	<u>Quarter Ended</u> <u>April 30, 1968</u>
Sales	\$9,143,409	\$6,911,082
Net Earnings	277,857	180,033
Net Earnings per share	8.6¢	5.6¢

These figures do not reflect the operations of Embassy Cleaners whose financial results will be included in the company's consolidated financial statements from May 1, 1969.

Earnings figures for comparison have been adjusted to reflect the company's recent four-for-one subdivision of the issued and outstanding shares.

Philip W. Goldman, vice-president of the company termed the first quarter results "most encouraging when considering that, historically, earnings during the first period of the year are lower than the three remaining periods". He also reported that during the quarter seven existing company-owned stores were remodelled and formally reopened as Shoppers Drug Marts, and three new Shoppers Drug Marts were opened.

